

Blouberg Local Municipality
Annual financial statements
for the year ended 30 June 2017

Blouberg Local Municipality

(Registration number LM351)
Annual Financial Statements for the year ended June 30, 2017

General Information

Legal form of entity	Local Municiplity Category B
Nature of business and principal activities	Local Goverment and the provision of basic services to the local community
Executive committee	
Mayor	Pheedi MS
Speaker	Thamaga MN
Chief Whip	Choshi MM
Members of executive committee	
	Ntlatla MW
	Mashalane MS
	Rangata MJ
	Makobela SR
	Morapedi AM
	Maila MP
	Makhura MH
Councillors	Sekgoloane MJ (MPAC Chairperson)
	Selamolele S
	Madibana S
	Murathi MS
	Seema MI
	Maifo ML
	Moshokoa MS
	Ramoba MR
	Sebetha MJ
	Madibana MR
	Morudu MF
	Chula MI
	Makgakga JP
	Setwaba DS
	Molema MN
	Tefo LT
	Maleka NG
	Phoshoko NC
	Mokobodi CS
	Madiope TM
	Mabolola SJ
	Molokomme MM
	Magwati RT
	Madzhie AE
	Mphango MA

General Information

	Modingwana MG Masekwameng MR Raseruthe MA Lehong MV Tlouamma NM Moetjie MT Mojondo MD Matiza SE Tjumana MM
Municipal Manager	Machaba MJ
Chief Finance Officer (CFO)	Mokonyama MF
Registered office	2nd Building Dendron Road Senwabarwana 0790
Business address	2nd Building Dendron Road Senwabarwana 0790
Postal address	P.O.Box 1593 Senwabarwana 0790
Bankers	ABSA
Auditors	Auditor- General of South Africa

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GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 55, which have been prepared on the going concern basis, were approved by the on August 31, 2017 and were signed on its behalf by:

pp 31/08/2017
Machaba MJ
Municipal Manager

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	6	3,879,157	3,861,518
Receivables from exchange transactions	7	721	1,663,243
Receivables from non-exchange transactions	8	22,217,353	26,223,426
VAT receivable	9	11,661,791	12,201,811
Consumer debtors	10	3,210,291	4,522,878
Cash and cash equivalents	11	41,112,807	28,886,115
		82,082,120	**77,358,991**
Non-Current Assets			
Property, plant and equipment	3	853,096,292	808,305,515
Intangible assets	4	102,752	130,001
Investments	5	3,092,529	3,092,581
		856,291,573	**811,528,097**
Non-Current Assets		856,291,573	811,528,097
Current Assets		82,082,120	77,358,991
Total Assets		**938,373,693**	**888,887,088**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1,638,771	2,076,583
Finance lease obligation	12	69,915	78,953
Payables from exchange transactions	16	38,852,029	27,564,883
Provisions	15	6,040,258	6,543,396
Landfill Liability		4,403,749	-
		51,004,722	**36,263,815**
Non-Current Liabilities			
Finance lease obligation	12	504,050	617,214
Unspent conditional grants and receipts	13	7,024,259	25,828,000
Provisions	15	13,823,898	13,717,236
		21,352,207	**40,162,450**
Non-Current Liabilities		21,352,207	40,162,450
Current Liabilities		51,004,722	36,263,815
Total Liabilities		**72,356,929**	**76,426,265**
Assets		938,373,693	888,887,088
Liabilities		(72,356,929)	(76,426,265)
Net Assets		**866,016,764**	**812,460,823**
Accumulated surplus		866,016,764	812,460,823

Blouberg Local Municipality

(Registration number LM351)
Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	18	20,701,780	17,122,390
Rental of facilities and equipment	19	1,046,139	1,091,288
Licences and permits		3,488,749	3,162,199
Interest received on outstanding debtors		2,094,486	305,630
Other income	21	814,934	3,009,437
Sale of Inventory - sites		317,321	3,598,326
Interest received - investment	22	2,071,798	1,503,913
Total revenue from exchange transactions		**30,535,207**	**29,793,183**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	24,466,678	20,289,091
Transfer revenue			
Government grants & subsidies	24	261,623,232	204,282,178
Public contributions and donations		-	19,462,110
Fines		1,273,061	1,085,850
Total revenue from non-exchange transactions		**287,362,971**	**245,119,229**
		30,535,207	29,793,183
		287,362,971	245,119,229
Total revenue	17	**317,898,178**	**274,912,412**
Expenditure			
Employee related costs	25	(84,622,981)	(77,263,769)
Remuneration of councillors	26	(17,510,164)	(12,906,297)
Transfer payments - Other		(553,700)	-
Depreciation and amortisation	27	(34,142,933)	(31,712,158)
Finance costs	28	(314,156)	(371,500)
Debt Impairment	29	(5,621,187)	(10,830,645)
Bad debts written off	29	(30,057,387)	-
Collection costs		-	(410,271)
Repairs and maintenance		(5,440,726)	(5,525,442)
Bulk purchases	30	(26,243,334)	(23,268,195)
Contracted services	31	(6,094,483)	(3,582,391)
Cost of housing sold		-	(518,289)
Sale of goods/Inventory		-	(2,681,000)
General Expenses	32	(102,829,506)	(51,872,523)
Total expenditure		**(313,430,557)**	**(220,942,480)**
		-	-
Total revenue		317,898,178	274,912,412
Total expenditure		(313,430,557)	(220,942,480)
Operating surplus		**4,467,621**	**53,969,932**
Gain from transfer of functions between entities not under common control		19,022,775	-
Operating surplus/deficit		19,022,775	-
Surplus before taxation		23,490,396	53,969,932
Taxation		-	-
Surplus for the year		**23,490,396**	**53,969,932**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2015	**758,490,891**	**758,490,891**
Changes in net assets		
Surplus for the year	53,969,932	53,969,932
Total changes	53,969,932	53,969,932
Balance at July 1, 2016	**812,468,981**	**812,468,981**
Changes in net assets		
Surplus for the year	53,547,783	53,547,783
Total changes	53,547,783	53,547,783
Balance at June 30, 2017	**866,016,764**	**866,016,764**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Taxation		24,466,678	20,289,091
Cash receipts from rate payers and other		25,642,295	16,782,117
Grants		232,311,537	239,595,855
Interest income		2,071,798	1,503,913
		284,492,308	278,170,976
Payments			
Employee costs		(102,133,145)	(94,773,933)
Suppliers		(94,724,193)	(92,444,351)
Finance costs		(314,156)	(371,500)
		(197,171,494)	(187,589,784)
Total receipts		284,492,308	278,170,976
Total payments		(197,171,494)	(187,589,784)
Net cash flows from operating activities	34	**87,320,814**	**90,581,192**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(78,937,857)	(80,178,200)
Proceeds from sale of property, plant and equipment	3	-	1,150,110
Net cash flows from investing activities		**(78,937,857)**	**(79,028,090)**
Cash flows from financing activities			
Repayment of other financial liabilities		(437,812)	(870,945)
Landfil liability		4,403,749	-
Finance lease payments		(122,202)	(319,173)
Net cash flows from financing activities		**3,843,735**	**(1,190,118)**
Net increase/(decrease) in cash and cash equivalents		**12,226,692**	**10,362,984**
Cash and cash equivalents at the beginning of the year		28,886,115	18,523,131
Cash and cash equivalents at the end of the year	11	**41,112,807**	**28,886,115**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26,424,400	-	**26,424,400**	20,701,780	**(5,722,620)**	
Rental of facilities and equipment	445,200	-	**445,200**	1,046,139	**600,939**	
Licences and permits	4,211,240	-	**4,211,240**	3,488,749	**(722,491)**	
Interest received on outstanding debtors	557,755	-	**557,755**	2,094,486	**1,536,731**	
Other income	5,870,969	(2,889,000)	**2,981,969**	814,934	**(2,167,035)**	
Other income 3	-	-	**-**	317,321	**317,321**	
Interest received - investment	1,158,428	-	**1,158,428**	2,071,798	**913,370**	
Total revenue from exchange transactions	**38,667,992**	**(2,889,000)**	**35,778,992**	**30,535,207**	**(5,243,785)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21,917,620	2,545,262	**24,462,882**	24,466,678	**3,796**	
Transfer revenue						
Government grants & subsidies	248,013,058	28,120,000	**276,133,058**	261,623,232	**(14,509,826)**	
Fines	1,660,000	-	**1,660,000**	1,273,061	**(386,939)**	
Total revenue from non-exchange transactions	**271,590,678**	**30,665,262**	**302,255,940**	**287,362,971**	**(14,892,969)**	
'Total revenue from exchange transactions'	38,667,992	(2,889,000)	**35,778,992**	30,535,207	**(5,243,785)**	
'Total revenue from non-exchange transactions'	271,590,678	30,665,262	**302,255,940**	287,362,971	**(14,892,969)**	
Total revenue	**310,258,670**	**27,776,262**	**338,034,932**	**317,898,178**	**(20,136,754)**	
Expenditure						
Personnel	(94,375,263)	(300,000)	**(94,675,263)**	(84,622,981)	**10,052,282**	
Remuneration of councillors	(14,246,958)	100,000	**(14,146,958)**	(17,510,164)	**(3,363,206)**	
Transfer payments - Other	-	-	**-**	(553,700)	**(553,700)**	
Depreciation and amortisation	(48,675,251)	(4,700,000)	**(53,375,251)**	(34,142,933)	**19,232,318**	
Finance costs	-	-	**-**	(314,156)	**(314,156)**	
Debt impairment	(6,617,368)	1,000,000	**(5,617,368)**	(5,621,187)	**(3,819)**	
Bad debts written off	-	-	**-**	(30,057,387)	**(30,057,387)**	
Repairs and maintenance	(4,560,928)	(1,082,968)	**(5,643,896)**	(5,440,726)	**203,170**	
Bulk purchases	(24,000,000)	940,000	**(23,060,000)**	(26,243,334)	**(3,183,334)**	
Contracted Services	(4,240,000)	1,870,000	**(2,370,000)**	(6,094,483)	**(3,724,483)**	
General Expenses	(79,976,636)	5,594,631	**(74,382,005)**	(72,772,119)	**1,609,886**	
Total expenditure	**(276,692,404)**	**3,421,663**	**(273,270,741)**	**(283,373,170)**	**(10,102,429)**	
	33,566,266	31,197,925	**64,764,191**	34,525,008	**(30,239,183)**	
	-	-	**-**	-	**-**	
Surplus before taxation	**33,566,266**	**31,197,925**	**64,764,191**	**34,525,008**	**(30,239,183)**	
Deficit before taxation	33,566,266	31,197,925	**64,764,191**	34,525,008	**(30,239,183)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**33,566,266**	**31,197,925**	**64,764,191**	**34,525,008**	**(30,239,183)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,487,396	-	**1,487,396**	3,879,157	**2,391,761**	
Receivables from exchange transactions	950,000	-	**950,000**	721	**(949,279)**	
Receivables from non-exchange transactions	14,943,213	-	**14,943,213**	22,217,353	**7,274,140**	
VAT receivable	4,426,365	-	**4,426,365**	11,661,791	**7,235,426**	
Consumer debtors	7,152,162	-	**7,152,162**	3,210,291	**(3,941,871)**	
Cash and cash equivalents	28,405,505	58,952,450	**87,357,955**	41,112,807	**(46,245,148)**	
	57,364,641	**58,952,450**	**116,317,091**	**82,082,120**	**(34,234,971)**	
Non-Current Assets						
Property, plant and equipment	855,259,211	24,354,601	**879,613,812**	853,096,292	**(26,517,520)**	
Intangible assets	-	-	**-**	102,752	**102,752**	
Investments	12,171,101	-	**12,171,101**	3,092,529	**(9,078,572)**	
	867,430,312	**24,354,601**	**891,784,913**	**856,291,573**	**(35,493,340)**	
Non-Current Assets	57,364,641	58,952,450	**116,317,091**	82,082,120	**(34,234,971)**	
Current Assets	867,430,312	24,354,601	**891,784,913**	856,291,573	**(35,493,340)**	
Total Assets	**924,794,953**	**83,307,051**	**1,008,102,004**	**938,373,693**	**(69,728,311)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	1,638,771	**1,638,771**	
Finance lease obligation	-	-	**-**	69,915	**69,915**	
Payables from exchange transactions	11,696,576	-	**11,696,576**	38,852,031	**27,155,455**	
Provisions	6,120,125	-	**6,120,125**	6,040,258	**(79,867)**	
Other liability 1	-	-	**-**	4,403,749	**4,403,749**	
	17,816,701	**-**	**17,816,701**	**51,004,724**	**33,188,023**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	504,050	**504,050**	
Unspent conditional grants and receipts	-	-	**-**	7,024,259	**7,024,259**	
Provisions	8,326,100	-	**8,326,100**	13,823,898	**5,497,798**	
	8,326,100	**-**	**8,326,100**	**21,352,207**	**13,026,107**	
	17,816,701	-	**17,816,701**	51,004,724	**33,188,023**	
	8,326,100	-	**8,326,100**	21,352,207	**13,026,107**	
	-	-	**-**	-	**-**	
Total Liabilities	**26,142,801**	**-**	**26,142,801**	**72,356,931**	**46,214,130**	
Assets	924,794,953	83,307,051	**1,008,102,004**	938,373,693	**(69,728,311)**	
Liabilities	(26,142,801)	-	**(26,142,801)**	(72,356,931)	**(46,214,130)**	
Net Assets	**898,652,152**	**83,307,051**	**981,959,203**	**866,016,762**	**(115,942,441)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	898,652,152	83,307,051	**981,959,203**	866,016,762	**(115,942,441)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	21,917,620	2,545,262	24,462,882	-		24,462,882	24,466,678		3,796	100 %	112 %
Service charges	26,000,400	-	26,000,400	-		26,000,400	20,701,780		(5,298,620)	80 %	80 %
Investment revenue	1,158,428	-	1,158,428	-		1,158,428	2,071,798		913,370	179 %	179 %
Transfers recognised - operational	189,719,343	1,292,000	191,011,343	-		191,011,343	186,264,078		(4,747,265)	98 %	98 %
Other own revenue	13,169,164	(2,889,000)	10,280,164	-		10,280,164	8,717,369		(1,562,795)	85 %	66 %
Total revenue (excluding capital transfers and contributions)	**251,964,955**	**948,262**	**252,913,217**	**-**		**252,913,217**	**242,221,703**		**(10,691,514)**	**96 %**	**96 %**
Employee costs	94,375,263	300,000	94,675,263	-	-	94,675,263	(84,622,981)	-	(179,298,244)	(89)%	(90)%
Remuneration of councillors	14,246,958	100,000	14,346,958	-	-	14,346,958	(17,510,164)	-	(31,857,122)	(122)%	(123)%
Debt impairment	6,617,368	1,000,000	7,617,368			7,617,368	(5,621,187)	-	(13,238,555)	(74)%	(85)%
Depreciation and asset impairment	48,675,251	(4,000,000)	44,675,251			44,675,251	(34,142,933)	-	(78,818,184)	(76)%	(70)%
Finance charges	-	-	-	-	-	-	(314,156)	-	(314,156)	DIV/0 %	DIV/0 %
Materials and bulk purchases	28,560,928	2,020,000	30,580,928	(2,097,962)	-	28,482,966	(26,243,334)	-	(54,726,300)	(92)%	(92)%
Other expenditure	84,216,636	4,301,663	88,518,299	2,797,962	-	91,316,261	(114,918,415)	-	(206,234,676)	(126)%	(136)%
Total expenditure	**276,692,404**	**3,721,663**	**280,414,067**	**700,000**	**-**	**281,114,067**	**(283,373,170)**	**-**	**(564,487,237)**	**(101)%**	**(102)%**
Total revenue (excluding capital transfers and contributions)	251,964,955	948,262	252,913,217	-	-	252,913,217	242,221,703	-	(10,691,514)	96 %	96 %
Total expenditure	276,692,404	3,721,663	280,414,067	700,000	-	281,114,067	(283,373,170)	-	(564,487,237)	(101)%	(102)%
Surplus/(Deficit)	**528,657,359**	**4,669,925**	**533,327,284**	**700,000**		**534,027,284**	**(41,151,467)**		**(575,178,751)**	**(8)%**	**(8)%**

Blouberg Local Municipality

(Registration number LM351)
Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	58,293,715	26,828,000	85,121,715	-		85,121,715	75,676,475		(9,445,240)	89 %	130 %
Surplus/(Deficit)	528,657,359	4,669,925	533,327,284	700,000	-	534,027,284	(41,151,467)	-	(575,178,751)	(8)%	(8)%
Capital transfers and contributions	58,293,715	26,828,000	85,121,715	-	-	85,121,715	75,676,475	-	(9,445,240)	89 %	130 %
Surplus (Deficit) after capital transfers	**586,951,074**	**31,497,925**	**618,448,999**	**700,000**		**619,148,999**	**34,525,008**		**(584,623,991)**	**6 %**	**6 %**
Surplus (Deficit) after capital transfers and contributions	586,951,074	31,497,925	618,448,999	700,000	-	619,148,999	34,525,008	-	(584,623,991)	6 %	6 %
Surplus/(Deficit) for the year	**586,951,074**	**31,497,925**	**618,448,999**	**700,000**		**619,148,999**	**34,525,008**		**(584,623,991)**	**6 %**	**6 %**
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	83,307,975		83,307,975	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	56,074,665	26,244,600	82,319,265	-		82,319,265	-		(82,319,265)	- %	- %
Internally generated funds	13,593,730	(1,890,000)	11,703,730	-		11,703,730	-		(11,703,730)	- %	- %
Total sources of capital funds	**69,668,395**	**24,354,600**	**94,022,995**	**-**		**94,022,995**	**-**		**(94,022,995)**	**- %**	**- %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Budget information in accordance with GRAP 1 and 24 has been provided in the statement of comparison of the budget and actual and forms part of the financial statements.

When the presentation or classification of the items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the classification is disclosed. Where accounting errors have been identified in the current year, the correction is made restrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made restrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality's material variance is considered when there is a 6% deviation from the budget and actual.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure		5.60
Roads and paving		5- 50
Concrete		5- 80
Electricity		5-50
Water		5-50
Sewerage		10-50
Buildings		5- 50
Recreational facilities		5-50
Security		5-50
Halls		5-50
Libraries		5-50
Parks and gardens		5-50
Other assets		5-50
Other property, plant and equipment		5-50
Buildings		5-50
Specialist vehicles		5-15
Office equipment		5-10
Furniture and fittings		5-7
Other vehicles		5-15
Bins and Containers		10-20
Specialised past and equipment		5-10
Other items of plant and equipment		5-15
Quarries		5-15
Emergency equipment		5-10
Heritage assets		5-50
Buildings		5-50
Paintings and artifacts		5- 50

The residual value, and the usefil life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as change in the accounting estimate..

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.6 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Vat

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Accounting Policies

1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.11 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.11 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.19 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	April 1, 2017	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	April 1, 2017	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	April 1, 2017	Unlikely there will be a material impact

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	50,023,003	(17,416,045)	32,606,958	50,023,003	(15,830,977)	34,192,026
Infrastructure	980,980,066	(332,783,626)	648,196,440	936,271,342	(310,621,490)	625,649,852
Community Assets	174,537,498	(36,075,826)	138,461,672	161,817,253	(25,903,799)	135,913,454
Other Assets	32,660,577	(15,201,990)	17,458,587	22,805,386	(11,324,017)	11,481,369
Work in progess	16,372,635	-	16,372,635	1,068,814	-	1,068,814
Total	**1,254,573,779**	**(401,477,487)**	**853,096,292**	**1,171,985,798**	**(363,680,283)**	**808,305,515**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers received	Depreciation	Total
Land and Buildings	34,192,026	-	-	(1,581,269)	32,606,958
Infrastructure	625,649,852	44,709,072	-	(22,162,484)	648,196,440
Community	135,913,454	9,042,526	-	(6,494,308)	138,461,672
Other property, plant and equipment	11,481,369	4,864,479	5,017,959	(3,905,220)	17,458,587
Work in progress	1,068,814	15,303,821	-	-	16,372,635
	808,305,515	**73,919,898**	**5,017,959**	**(34,143,281)**	**853,096,292**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land and Buildings	35,409,293	350,000	-	-	(1,571,066)	34,192,026
Infrastructure	607,587,660	33,340,945	(396,450)	6,457,977	(21,340,280)	625,649,852
Community	95,724,909	40,824,237	-	4,812,398	(5,448,090)	135,913,454
Other Assets	10,641,180	4,944,204	(753,660)	-	(3,346,479)	11,481,369
Work in progress	11,270,375	1,068,814	-	(11,270,375)	-	1,068,814
	760,633,417	**80,528,200**	**(1,150,110)**	**-**	**(31,705,915)**	**808,305,515**

Pledged as security

Carrying value of assets pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	136,244	(33,492)	102,752	136,244	(6,243)	130,001

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	130,001	(27,249)	102,752

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	136,244	(6,243)	130,001

5. Investments

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Municipality Fixed deposit	ABSA	- %	- %	3,092,529	3,092,581

The Munucipality's investment is fixed deposit held at ABSA as ESKOM Guarantee to R 3 079 000. The municipality does not have access, we only receive interest on the investment. During the year an amount of R 106, 171 was earned from the investment..

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

6. Inventories

Inventory sites	3,002,000	3,002,000
Consumable stores	877,157	859,518
	3,879,157	**3,861,518**

The balance for inventory is made of Consumable stores and Invetory sites. No Inventory of the municipality was pledged as security.

7. Receivables from exchange transactions

Other receivables - prepaid electricity	-	209,467
Other receivables - CDM	-	822,018
Debtor : Auctioneer	-	631,037
Debtor : Other	721	721
	721	**1,663,243**

8. Receivables from non-exchange transactions

Traffic Fines	1,662,534	705,030
Other receivable- Senior Managers	234,109	46,745
CDM - Free and basic water	-	895,383
Other receivables from non-exchange revenue 1	1,442,749	726,086
Rates	18,877,961	23,850,182
	22,217,353	**26,223,426**

9. VAT receivable

Vat	11,661,791	12,201,811

10. Consumer debtors

Gross balances		
Electricity	5,151,791	4,363,701
Refuse	1,399,324	1,260,380
Debtors : Interest	1,889,065	1,214,977
Debtors : Vat on Services	2,011,486	849,495
Debtors Other	801,245	1,557,250
	11,252,911	**9,245,803**
Less: Allowance for impairment		
Electricity	(4,661,533)	(2,390,581)
Refuse	(728,967)	(728,967)
Interest	(1,751,451)	(702,708)
Debtors other	(900,669)	(900,669)
	(8,042,620)	**(4,722,925)**
Net balance		
Electricity	490,258	1,973,120
Refuse	670,357	531,413
Debtors : interest	137,614	512,269
Debtors : Vat on Services	2,011,486	849,495
Debtors other	(99,424)	656,581
	3,210,291	**4,522,878**

Figures in Rand	2017	2016

10. Consumer debtors (continued)

Rates		
Current (0 -30 days)	201,998	357,221
31 - 60 days	196,432	166,400
61 - 90 days	189,763	102,509
91 - 120 days	170,112	96,297
121 - 365 days	75,214,161	20,581,367
> 365 days	-	35,262,958
	75,972,466	**56,566,752**
Traffic fines		
Current (0 -30 days)	95,750	68,200
31 - 60 days	127,700	57,370
61 - 90 days	185,500	45,680
91 - 120 days	107,150	364,650
121 - 365 days	5,140,086	4,301,255
	5,656,186	**4,837,155**
Refuse		
Current (0 -30 days)	29,788	28,387
31 - 60 days	28,815	25,000
61 - 90 days	27,646	24,265
91 - 120 days	26,798	23,461
121 - 365 days	1,286,276	185,798
> 365 days	-	973,469
	1,399,323	**1,260,380**
Other		
Current (0 -30 days)	19,729	140,160
31 - 60 days	19,319	16,427
61 - 90 days	19,203	19,644
91 - 120 days	19,801	19,644
121 - 365 days	723,910	162,136
> 365 days	-	1,199,240
	801,962	**1,557,251**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(32,716,571)	(23,479,645)
Contributions to allowance	(24,867,891)	(9,236,926)
	(57,584,462)	**(32,716,571)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	836	2,065
Bank balances	31,017,318	28,884,050
Short-term Investment	10,094,653	-
	41,112,807	**28,886,115**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
ABSA BANK - Account Type - Current account	30,769,967	28,839,516	18,480,159	30,769,967	28,841,238	18,477,783
ABSA BANK - Account Type - current account	247,351	44,533	45,274	247,351	44,877	45,274
Total	**31,017,318**	**28,884,049**	**18,525,433**	**31,017,318**	**28,886,115**	**18,523,057**

12. Finance lease obligation

Minimum lease payments due		
- within one year	73,679	688,011
- in second to fifth year inclusive	-	82,718
	73,679	770,729
less: future finance charges	(3,764)	(74,517)
Present value of minimum lease payments	**69,915**	**696,212**
Non-current liabilities	504,050	617,214
Current liabilities	69,915	78,953
	573,965	**696,167**

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was x-y years and the average effective borrowing rate was -% (2016: -%).

Interest rates are at the contract date. All leases and .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Defaults and breaches

[Explain details of any default during the period of principal, interest, sinking fund or redemption terms of loans payable. The carrying amount of loans in default is to be disclosed. Disclose whether the default was remedied, or whether the terms were renegotiated before the financial statements were authorized for issue.]

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
CDM and NSF Grant	420,415	1,000,000
Municipal Infrascture Grant (MIG)	2,532,525	24,828,000
Municipal Demacation Trasition Grant (MDTG)	4,071,319	-
	7,024,259	**25,828,000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. Other financial liabilities

At amortised cost		
AllDays Services : Unallocate	1,638,771	2,076,583
Terms and conditions		
Current liabilities		
At amortised cost	1,638,771	2,076,583

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Actuarial Gain	Interest cost	Total
Environmental rehabilitation	9,661,667	5,513,411	(4,403,749)	-	-	10,771,329
Provision for leave	6,543,396	-	(503,138)	-	-	6,040,258
Provision for long-service awards	3,353,505	-	-	(1,292,000)	289,000	2,350,505
Provision for performance bonus	702,064	-	-	-	-	702,064
	20,260,632	**5,513,411**	**(4,906,887)**	**(1,292,000)**	**289,000**	**19,864,156**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for restoration cost for landfill site	8,307,576	1,354,091	-	9,661,667
Provision for leave	5,346,365	1,627,954	(430,923)	6,543,396
Provision for long-service awards	2,656,000	697,505	-	3,353,505
Provision for performance bonus	759,221	(57,157)	-	702,064
Total Provisions	**17,069,162**	**3,622,393**	**(430,923)**	**20,260,632**

Non-current liabilities	13,823,898	13,717,236
Current liabilities	6,040,258	6,543,396
	19,864,156	**20,260,632**

The provision represents management's best estimate of the municipality's liability based on the exprience and knowldged.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Provisions (continued)

Provisision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of SALBC agreement. The leave provision is calculated by taking the total basic salary/no of working days per year x number of days unused.

Provision for performance bonus

Performance bonus is benefit paid to the executive management after performance assessment are being done and expectation or targets are met. Performance is calculated at 14% of the total package.

Provision for long -service awards

The employees of Blouberg qualifies for the following long service award additional leave for various periods of uninterrupyed service

10 years uninterrupted service: 10 working day's leave
15 years uniterrupted service: 20 working day's leave
20 years uniterrupted service: 30 working day's leave
25 years uniterrupted service : 30 working day's leave
30 years uninterrupted service: 30 working day's leave
35 years uninterrupted service: 35 working day's leave
40 years uniterrupted service: 30 working day's leave
45 years uniterrupted service: 30 working day's leave

The Long Service Awards are defined benefit plans. As at year end, 194 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2017 is estimated at R 4 911 000. The current cost for the year ending 30 June 2016 is estimated at R379 000.

Key actuarial assumptions used

Rate of interest		
Discount rate	8.89%	8.89%
General salary inflation (long term)	7.56%	7.56%
Nett Effective Discount Rate applied to Long Service Bonussess	1.24%	1.25%

The amounts recognised in the statement of the financial position are as follows:

Present Value of fund obligation		
Reconciliation of present value of fund obligation:	-	-
Present value of fund obligation	3,354,000	2,656,253
Current service and interest costs	379,000	319,359
Interest costs	289,000	215,024
Benefits paid	(403,000)	(247,149)
Acturial (gains) losses	1,292,000	410,271
Balance as at 30 June	**4,911,000**	**3,353,758**
Present value		
Balance	4,911,000	3,353,758
	4,911,000	**3,353,758**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Payables from exchange transactions

Trade payables	15,761,598	8,766,958
Payments received in advance	3,568,251	3,599,947
Retentions	14,220,593	10,523,218
13th cheque provision	1,752,054	1,583,916
Prepaid electricty accrual	363,675	363,675
Liability - vat on debtors	2,011,486	1,675,205
Sale of Stands Creditors Acc	1,045,489	1,045,489
Other Creditors	128,883	6,475
	38,852,029	**27,564,883**

17. Revenue

Service charges	20,701,780	17,122,390
Rental of facilities and equipment	1,046,139	1,091,288
Licences and permits	3,488,749	3,162,199
Interest on Outstanding Debtors	2,094,486	305,630
Other income - refer to note 21	814,934	3,009,437
Other income 3	317,321	3,598,326
Interest received - investment	2,071,798	1,503,913
Property rates	24,466,678	20,289,091
Government grants & subsidies	261,623,232	204,282,178
Public contributions and donations	-	19,462,110
Fines	1,273,061	1,085,850
	317,898,178	**274,912,412**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	20,701,780	17,122,390
Rental of facilities and equipment	1,046,139	1,091,288
Licences and permits	3,488,749	3,162,199
Interest on Outstanding Debtors	2,094,486	305,630
Other income	814,934	3,009,437
Other income 3	317,321	3,598,326
Interest received - investment	2,071,798	1,503,913
	30,535,207	**29,793,183**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	24,466,678	20,289,091
Transfer revenue		
Government grants & subsidies	261,623,232	204,282,178
Public contributions and donations	-	19,462,110
Fines	1,273,061	1,085,850
	287,362,971	**245,119,229**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
18. Service charges		
Service charges	4,486	-
Sale of electricity	18,346,927	16,704,026
Sale of water	1,371,573	-
Sewerage and sanitation charges	594,491	-
Refuse removal	384,303	418,364
	20,701,780	**17,122,390**
19. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1,046,139	1,091,288
20. Other revenue		
Other income	2,094,486	305,630
Other income -	814,934	3,009,437
Other income	317,321	3,598,326
	3,226,741	**6,913,393**
21. Other income		
Building plans	62,490	57,141
Tender documents	155,427	319,931
LGSETA Refund capacity building	362,268	753,907
Connection fees	129,923	40,609
Cattle pound	45,732	89,097
Commission	-	1,309,334
Advertisement	-	6,798
Billboards	17,153	6,531
Burial fees	14,735	28,836
Database registration	-	43,564
Fines - Tampered meters illegal connection	-	24,345
Hawkers fees	210	316
Free basic services water	-	375
Library services	-	1,184
Logbook & carports	4,245	38,904
Other income	7,403	3,557
Photo copies	15,348	18,409
Reconnection fees	-	266,599
	814,934	**3,009,437**
22. Interest received - investment		
Interest revenue		
Bank	1,429,797	583,905
Investments	642,001	920,008
	2,071,798	**1,503,913**

The amount included in Investment revenue arising from exchange transactions amounted to -.

The amount included in Investment revenue arising from non-exchange transactions amounted to -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Property rates

Rates received

Residential	24,466,678	959,480
Commercial	-	1,403,925
State	-	16,796,931
Small holdings and farms	-	1,128,755
	24,466,678	**20,289,091**

Valuations

Residential	433,672,820	214,250,013
Commercial	331,652,256	2,669,940,600
State	597,705,200	528,530,400
Municipal	-	46,296,572
Other	5,386,400	-
Small Holdings and farms	3,097,133,409	-
	4,465,550,085	**3,459,017,585**

Valuations on land and buildings are performed every X years. The last general valuation came into effect on 1 July 20XX. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of - (2016: -) is applied to property valuations to determine assessment rates. Rebates of -% (2016: -%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being (). Interest at prime plus 1% per annum (2016: -%) and a collection fee of -% (2016: -%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2007.

Figures in Rand	2017	2016

24. Government grants and subsidies

Operating grants		
Equitable share	155,297,000	147,635,166
Financial Management Grant (FMG)	2,433,000	1,800,000
Municipal Systems Improvement Grant (MSIG)	-	930,000
Municipal Demacation Transition Gran (MDTG)	4,053,681	-
Expanded Public Works Programme (EPWP)	1,808,000	1,613,000
CDM Grant	3,082,738	342,259
National Skills Fund Grant (NSFG)	19,272,338	-
	185,946,757	**152,320,425**
Capital grants		
Municipal Infrastructure Grant (MIG)	66,676,475	44,903,000
Municipal Electrification (DME)	9,000,000	7,000,000
Other Government grants and subsidies (CDM)	-	58,753
	75,676,475	**51,961,753**
	185,946,757	152,320,425
	75,676,475	51,961,753
	261,623,232	**204,282,178**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of - (2016: -), which is funded from the grant.

Financial Management Grant FMG

Current-year receipts	2,433,000	1,800,000
Conditions met - transferred to revenue	(2,433,000)	(1,800,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Municipal Demacation Transition Grant(MDTG)

Current-year receipts	8,125,000	-
Conditions met - transferred to revenue	(4,053,681)	-
	4,071,319	-

Conditions still to be met - remain liabilities (see note 13).

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Programme

Current-year receipts	1,808,000	1,613,000
Conditions met - transferred to revenue	(1,808,000)	(1,613,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

CDM

Balance unspent at beginning of year	1,000,000	1,000,000
Current-year receipts	2,250,000	342,259
Conditions met - transferred to revenue	(3,082,738)	(342,259)
	167,262	**1,000,000**

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

National Skills Fund Grant

Current-year receipts	19,525,490	-
Conditions met - transferred to revenue	(19,272,337)	-
	253,153	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

INEP

Current-year receipts	9,000,000	7,000,000
Conditions met - transferred to revenue	(9,000,000)	(7,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Municipal infrastructure Grant (MIG)

Balance unspent at beginning of year	24,828,000	8,841,166
Current-year receipts	44,381,000	64,731,000
Conditions met - transferred to revenue	(66,676,475)	(44,903,000)
Grant withheld	-	(3,841,166)
	2,532,525	**24,828,000**

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Employee related costs

Basic	50,300,411	45,278,224
Bonus	4,087,866	3,597,606
Medical aid - company contributions	3,272,376	2,854,892
UIF	344,469	321,900
SDL	480,216	409,232
Pension Fund contributions	10,632,184	9,642,128
Travel, motor car, accommodation, subsistence and other allowances	10,301,627	11,575,647
Overtime payments	1,214,485	1,142,761
Long-service awards	-	72,210
Acting allowances	647,994	389,079
Housing benefits and allowances	224,515	335,344
Other employee related costs	939,820	1,630,520
Bargaining Council	17,960	14,226
Standby allowance	372,071	-
Telephone/Cell Phone allowance	1,727,787	-
Personal allowance mayors office	59,200	-
	84,622,981	**77,263,769**

Remuneration of municipal manager

Annual Remuneration	468,600	697,991
Car Allowance	175,663	264,176
Performance Bonuses	58,575	59,256
Contributions to UIF, Medical and Pension Funds	100,236	150,131
	803,074	**1,171,554**

Remuneration of chief finance officer

Annual remuneration	289,529	-
Car Allowance	119,246	-
Contributions to UIF, Medical and Pension Funds	87,721	-
	496,496	**-**

Remuneration of chief finance officer

Annual Remuneration	-	420,000
Car Allowance	-	108,969
Contributions to UIF, Medical and Pension Funds	-	60,292
	-	**589,261**

Remuneration of executive directors

Remuneration of executive directors	Technical Services	Local Economic Development	Corporate Services	Community Services		Total
Annual Remuneration	575,100	72,169	545,849	575,100	-	1,768,218
Acting Allowance	-	-	33,614	-	-	33,614
Performance and other bonuses	47,925	-	-	-	-	47,925
Travel, motor car, accomondation, substance and other allowances	290,028	31,327	323,038	242,880	-	887,273
Contributions to UIF, Medical and Pension Funds	114,339	17,119	109,138	115,531	-	356,127
Subtotal	1,027,392	120,615	1,011,639	933,511	-	3,093,157
	1,027,392	**120,615**	**1,011,639**	**933,511**	**-**	**3,093,157**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Employee related costs (continued)

Remuneration of executive directors - 2015	Technical Services	Local Economic Development	Corporate Services	Community Services	Column heading	Total
Annual Remuneration	575,100	570,528	572,175	569,114	-	2,286,917
Acting Allowance	-	60,000	34,875	-	-	94,875
Performance and other bonuses	50,000	47,925	-	45,000	-	142,925
Travel, motor car, accomodation, subsistence and other allowances	239,530	218,020	287,545	239,620	-	984,715
Contributions to UIF, Medical and Pension Funds	101,091	123,159	100,564	101,091	-	425,905
Subtotal	965,721	1,019,632	995,159	954,825	-	3,935,337
	965,721	**1,019,632**	**995,159**	**954,825**	**-**	**3,935,337**

26. Remuneration of councillors

Councillors	16,547,527	11,882,568
Councillors' pension contribution	962,637	1,023,729
	17,510,164	**12,906,297**

In-kind benefits

The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

27. Depreciation and amortisation

Property, plant and equipment	34,142,933	31,712,158
Intangible assets	27,249	-
	34,170,182	**31,712,158**

28. Finance costs

Finance Leases	314,156	371,500

The interest paid are made of Long service award and the finance lease on the office equipment.

29. Debt impairment

Contributions to debt impairment provision	5,621,187	10,830,645

30. Bulk purchases

Electricity	26,243,334	23,268,195

31. Contracted services

Security Services	6,094,483	3,582,391

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

32. General expenses

Administration and management fees	434,271	349,774
Administration and management fees	322,679	422,035
Arts & Culture	2,336,220	2,404,076
Bank charges	392,619	333,155
Provision for restoration costs of landfill site	-	1,354,091
CDM Grant : EPWP	1,819,247	1,232,287
Consulting and professional fees	6,631,022	3,120,171
Beautification of Area	1,096,560	406,102
Fleet Management Costs	3,643,385	-
Group Schemes	121,646	167,170
PMS Cost	414,981	81,807
System Improvement	-	14,751
Disaster Provision	582,819	577,126
Building Planning Costs	133,578	729,678
Conferences and seminars	1,723,475	1,554,497
Cemetery Costs	230,152	114,626
IT expenses	2,087,246	2,540,364
Lease rentals on operating lease	-	334,988
Free basic service refuse	274,328	233,218
Master Plans for Senwabarwana	19,278,338	-
Beautification of Area	-	1,154,246
Special Focus	12,690	-
Sport for employees	1,328,988	1,016,697
Land Management scheme	3,334,375	2,827,044
Lease rentals on operating lease	545,018	372,754
MPAC expenses	21,113	5,133
Printing and stationery	926,938	911,122
Promotions	1,625	-
Master Plans for Senwabarwana	261,440	324,257
Newsletter	-	166,733
Secretarial fees	624,383	657,131
Software expenses	191,308	125,000
Staff welfare	38,943	56,051
Subscriptions and membership fees	2,143,191	933,789
Telephone and fax	3,447,676	2,010,952
Transport and freight	3,332,950	2,895,481
Training	927,089	1,020,362
Provision for restoration costs of landfill site	5,693,416	7,998,983
Refreshments	72,400	240,381
Title deed search fees	-	11,368
Assets expensed	183,422	179,266
Risk Costs	56,901	80,349
Uniforms	17,750	13,358
Special Focus	50,809	35,751
Audit committee fees	384,044	316,469
Disaster Provision	-	900
Bursaries	455,052	1,342,642
Public participation	789,235	684,946
Licence fees - vehicles	111,759	87,320
Valuation costs	-	3,464,912
Refreshments	95,747	83,270
System Improvement : E-Natis	2,712,064	3,154,716
Free basic services electricity	385,098	451,509
Sport ward committee	1,274,935	969,786
Sport Development	1,220,383	845,580
Convention bureau	10,240	2,300
Free basic service refuse	-	606,220
General expenses	598,571	855,829

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
32. General expenses (continued)		
	72,772,119	**51,872,523**
33. Auditors' remuneration		
Fees	2,336,220	2,404,076
34. Cash generated from operations		
Surplus	53,547,783	53,969,932
Adjustments for:		
Depreciation and amortisation	34,142,933	31,712,158
Loss on sale of assets and liabilities	-	-
Loss on foreign exchange	-	-
Debt impairment	5,621,187	10,830,645
Changes in working capital:		
Inventories	(17,639)	2,943,498
Receivables from exchange transactions	1,662,522	4,721,737
Consumer debtors	(4,308,600)	(11,321,906)
Other receivables from non-exchange transactions	4,006,073	(7,513,137)
Payables from exchange transactions	10,930,276	(3,348,690)
VAT	540,020	(7,264,612)
Unspent conditional grants and receipts	(18,803,741)	15,851,567
	87,320,814	**90,581,192**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	11,906,696	281,552
Total capital commitments		
Already contracted for but not provided for	11,906,696	281,552
Authorised operational expenditure		
Already contracted for but not provided for		
• Security services	-	484,574
• Other	34,782,833	1,100,000
	34,782,833	**1,584,574**
Total operational commitments		
Already contracted for but not provided for	34,782,833	1,584,574
Total commitments		
Total commitments		
Authorised capital expenditure	11,906,696	281,552
Authorised operational expenditure	34,782,833	1,584,574
	46,689,529	**1,866,126**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Figures in Rand	2017	2016

36. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implements and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is been sued for violation of copyrights. The municipality's share of the potential claim amounts to -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and in currently able to meet all of it present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent Liability		
The Municipality is currently defending the arious cases:	300,000	300,000
1. KGAMAKI JONAS MANGWETA: Case No. LP/PLK/RC 499/2015 - The plaintiff is suing the municipality for defamation		
2. Masilo Rapetsoa - Case No. (1353/2014) The plaintiff is suing the municipality after ten (10) cattle died on suspicion that thy grazed in an unproyected dumping site belonging to the municipality	100,000	120,000
3. Machuene Charlese Keetse - The plaintiff is suing the Municipality and the Minister of Police for wrongful arrest and detention.	300,000	-
4. Joseph Manaka - The plaintiff is suing both the municipality and Eskom after hw was electrocuted by the half fallen electrical pole	3,800,000	-
5. Mahowa attorneys - The plaintiff is suing the Municipality after his service was terminated for over- charging	690,890	-
5. MTN Company - The Plaintiff has taken the municipality to a debt collector	225,158	-
	5,416,048	**420,000**

Figures in Rand	2017	2016

37. Related parties

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

CDM Service debtors	-	6,917,205

Related party transactions

Interest paid to (received from) related parties

Commission received from related parties	-	1,309,334
CDM - Free and basic water	-	895,383
Grants received from CDM	-	265,745

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services.

For the Key management staff salaries refer to Note 22.

Remuneration of management

Related party per Councillors/

37. Related parties (continued)

2017

Name	Basic Salary		Allowances	Total
Makobela SR	363,954	-	203,963	567,917
Mashalane MS	363,955	-	203,963	567,918
Morapedi AM	299,400	-	176,137	475,537
Makhura MH	205,100	-	113,422	318,522
Rangata MJ	211,350	-	131,000	342,350
Maila MP	205,100	-	113,422	318,522
Ntlatla MW	215,729	-	133,756	349,485
Masekwameng MR	175,877	-	118,305	294,182
Phosa MH	16,957	-	9,968	26,925
Raseruthe MA	160,507	-	12,898	173,405
Modishetji MP	16,957	-	9,968	26,925
Tutja TP	23,098	-	106,702	129,800
Kotsinkwa PJ	16,957	-	106,702	123,659
Lehong MV	160,507	-	9,968	170,475
Tlouamma NM	160,507	-	9,631	170,138
Rapheaga KT	16,957	-	110,681	127,638
Shongoane SL	16,957	-	9,968	26,925
Moetjie NT	163,160	-	9,968	173,128
Keetse MC	16,957	-	106,702	123,659
Mosebedi ME	16,957	-	12,898	29,855
Mojodo MD	160,507	-	9,968	170,475
Sithukga SE	23,098	-	9,968	33,066
Kobe DM	16,957	-	9,968	26,925
Chauke KR	16,957	-	19,775	36,732
Mokgohle PS	16,957	-	106,702	123,659
Boloka MP	22,848	-	9,968	32,816
Mathidza SE	160,507	-	10,017	170,524
Sekwatlakwatla SP	16,957	-	9,968	26,925
Maboya MS	16,957	-	9,968	26,925
Molokomme NO	16,957	-	9,968	26,925
Nabane NB	16,957	-	9,968	26,925

Notes to the Annual Financial Statements

Figures in Rand

37. Related parties (continued)

Morukhu MB	16,957	-	21,596	38,553
Mathekgana MCR	16,957	-	9,968	26,925
Ratladi SP	41,326	-	110,704	152,030
Ntlema AM	16,957	-	9,949	26,906
Tjumana MM	166,832	-	10,017	176,849
Sekgolane SE	16,957	-	124,765	141,722
Kgwatalala MM	16,957	-	120,393	137,350
Selamolela S	185,352	-	89,124	274,476
Sekgoloane MJ	193,038	-	89,124	282,162
Madibana SS	154,259	-	89,124	243,383
Murathi MS	154,258	-	89,124	243,382
Seema MI	154,258	-	89,124	243,382
Maifo ML	154,259	-	89,124	243,383
Moshokoa MS	154,259	-	89,124	243,383
Ramoba MR	154,258	-	89,124	243,382
Sebetha MJ	154,258	-	89,124	243,382
Madibana MR	154,258	-	89,124	243,382
Morudu MF	154,258	-	89,124	243,382
Chula MI	154,258	-	89,124	243,382
Makgakga JP	154,258	-	89,124	243,382
Setwaba JP	154,258	-	89,124	243,382
Molema MN	154,258	-	89,124	243,382
Tefo LT	154,258	-	89,124	243,382
Maleka NG	154,258	-	89,124	243,382
Phoshoko NC	154,258	-	89,124	243,382
Mokobodi CS	154,258	-	89,124	243,382
Madiope TM	154,258	-	89,124	243,382
Mabolola SJ	154,258	-	89,124	243,382
Molokomme MM	154,258	-	89,124	243,382
Magwai RT	154,258	-	89,124	243,382
Madzhie AE	137,659	-	89,124	226,783
Mphago MA	137,659	-	86,491	224,150
Modingwana MG	137,088	-	86,046	223,134
Seduma MD	41,325	-	21,596	62,921
	7,677,098	**-**	**4,602,546**	**12,279,644**

37. Related parties (continued)

2016

Name	Basic Salary	Allowances	S & T		Total
Selamolela S	464,028	319,530	43,013	-	826,571
Thamaga MN	371,218	259,652	6,158	-	637,028
Seduma MD	348,022	244,957	103,216	-	696,195
Masekwameng MR	348,022	244,957	122,894	-	715,873
Mashuhla MW	1	-	-	-	1
Moetji NT	184,618	140,134	122,894	-	447,646
Ratladi SD	348,022	-	-	-	348,022
Sekgolane SE	136,322	112,843	-	-	249,165
Sithukga SE	192,722	146,031	73,359	-	412,112
Tutja TP	192,722	146,031	108,172	-	446,925
Tjumana MM	192,722	146,031	49,714	-	388,467
Morapedi MA	192,722	146,031	85,088	-	423,841
Ntlatla MW	179,803	137,882	83,319	-	401,004
Rapheaga KT	140,106	112,843	29,934	-	282,883
Lehong MV	140,106	112,843	74,745	-	327,694
Rangata MJ	140,106	112,843	115,355	-	368,304
Mosebedi ME	140,106	112,843	73,178	-	326,127
Morukhu MB	140,106	112,843	40,016	-	292,965
Chosi MM	140,106	112,843	82,199	-	335,148
Raseruthe MA	140,106	112,843	45,694	-	298,643
Makobela SR	140,106	112,843	67,141	-	320,090
Boloka MP	140,106	112,843	26,256	-	279,205
Nabane NB	140,106	112,843	54,816	-	307,765
Sekwatlakwatla SP	140,106	112,843	48,215	-	301,164
Mathekgane CR	140,106	112,843	102,165	-	355,114
Mojodo MD	140,106	112,843	102,165	-	355,114
Kobe DM	140,106	112,843	80,772	-	333,721
Molokomme NO	140,106	112,843	80,772	-	333,721
Ntlema MA	140,106	112,843	-	-	252,949
Mashalane MS	140,106	112,843	80,292	-	333,241
Shongoane SL	140,106	112,843	32,143	-	285,092

37. Related parties (continued)

Kotsinkwa PJ	140,106	112,843	58,182	-	311,131
Mathidza SE	140,106	112,843	37,682	-	290,631
Keetse MC	140,106	112,843	107,213	-	360,162
Maboya MS	140,106	112,843	26,450	-	279,399
Kgwatalala MM	140,106	112,843	48,215	-	301,164
Manetja MR	1	-	-	-	1
Sekgoloane MJ	140,106	112,843	41,447	-	294,396
	7,214,017	**5,561,483**	**2,772,616**	**-**	**15,548,116**

38. Comparative figures

Certain comparative figures have been reclassified.

39. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables	38,852,029	-	-	-

At June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables	27,564,883	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

39. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

40. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had accumulated deficits of 866,016,764 and that the municipality's total liabilities exceed its assets by 866,016,764.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

41. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

42. Unauthorised expenditure

Unauthorised expenditure	83,992,237	81,117,717
Current year	1,468,944	2,874,520
	85,461,181	**83,992,237**

Waiting for the final figure.XXXXXXXXXXXXXXX

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	400,345	371,634
Current year	43,260	52,601
Condoned by council	-	(23,890)
	443,605	**400,345**

Fruitless and wasteful expenditure is asa resultof interest expenses incurred due to late payments of supplier invoice.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

44. Irregular expenditure

Opening balance	91,008,416	47,435,892
Add: Irregular Expenditure - current year	20,429,793	43,591,097
Less: Amounts condoned	-	(18,573)
	111,438,209	**91,008,416**

Goods and services were received for the expenditure that was recorded as irregular. Investigation were conducted by MPAC and report submitted to Council.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	933,789
Amount paid - current year	-	(933,789)
	-	-

Audit fees

Current year subscription / fee	2,336,220	2,404,076
Amount paid - current year	(2,336,220)	(2,404,076)
	-	-

PAYE and UIF

Current year subscription / fee	24,811,147	13,393,620
Amount paid - current year	(24,811,147)	(13,366,214)
	-	**27,406**

Pension and Medical Aid Deductions

Current year subscription / fee	13,904,560	9,453,665
Amount paid - current year	(13,904,560)	(9,453,665)
	-	-

VAT

VAT receivable	11,661,791	12,201,811

VAT output payables and VAT input receivables are shown in note .

Figures in Rand	2017	2016

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2017:

June 30, 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
M Thamaga	2,253	7,650	9,903

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

June 30, 2017	Highest outstanding amount	Aging (in days)
M Thamaga	9,903	120

June 30, 2016	Highest outstanding amount	Aging (in days)
SE Sekgoloane	11,085	90

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Figures in Rand	2017	2016

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supplier name	Reason	Amount	Total
October Integrated	Regulation 32	5,500,000	5,500,000
Chauke Business Enterprise	Regulation 32	7,290,000	7,290,000
CORP MD	Regulation 32	1,800,000	1,800,000
Fusion Boutique	Acomodation	40,290	40,290
Mindmuzic media pty	Sole service provider	7,871	7,871
Matome Frans	Emergency services	12,710	12,710
Ntlapeng Trading Enterprise	Emergency services	105,336	105,336
Electrical Motors	Sole provider	144,773	144,773
Madibana IT Solution	Mscoa compliance	69,329	69,329
BB Truck & Tractor	Sole provider	52,521	52,521
Electrical motors	Sole provider	62,563	62,563
Mmobudi Trading & Projects	Emergency services	11,300	11,300
Pietersburg Mocksmith	Emergency services	7,761	7,761
Subtotal		15,104,454	15,104,454
	-	**15,104,454**	**15,104,454**

47. Distribution Losses

Heading		
Electricity	2,439,101	1,989,381

The municpality purchased 19 452 996 (units) from Eskom and sold 17 664 000.6 (units) hence there is a difference of 1 807 995.4 (units) between the purchase and sales. This amount to a distribution loss of 9.29%.

48. Transfer of Function

Aganang Municipality	19,022,776	-

Assets and cash were transferred from Aganang to Blouberg. The Assets were transferred at fair value. The amount is disclosed as part of accumulated surplus.